

VZCZCXRO2691  
OO RUEHCN RUEHGH RUEHVC  
DE RUEHBJ #5655/01 2410416  
ZNR UUUUU ZZH  
O 290416Z AUG 07  
FM AMEMBASSY BEIJING  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1313  
INFO RUEHOO/CHINA POSTS COLLECTIVE

UNCLAS SECTION 01 OF 02 BEIJING 005655

SIPDIS

SENSITIVE  
SIPDIS

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [KIRF](#) [ETRD](#) [PARM](#) [CH](#)

SUBJECT: CODEL SKELTON ADDRESSES MILITARY TRANSPARENCY,  
TRADE WITH NPC CHAIR WU BANGGUO

Summary  
-----

¶1. (SBU) The United States and China share a long history and have many common interests that will only grow deeper and more plentiful, National People's Congress Standing Committee Chairman Wu Bangguo told CODEL Skelton August 27. The delegation raised tough questions concerning military exchanges, China's military budget and transparency and the U.S. trade deficit with China. Wu said Chinese military expenditures are relatively modest and consistent with China's needs, predicted that transparency will gradually improve and offered suggestions for improving the trade balance, including reducing U.S. restrictions on high-tech exports to China. End Summary.

A Warm Welcome  
-----

¶2. (U) A delegation led by House Armed Services Committee Chairman Ike Skelton (D-MO) and including Representatives Randy Forbes (R-VA), John Spratt (R-SC), Robin Hayes (R-NC), Jeff Flake (R-AZ), Carol Shea-Porter (D-NH), Delegate Madeleine Bordallo (D-GU) and Rear Admiral Mark Ferguson, accompanied by the Ambassador, met with NPC Standing Committee Chairman Wu Bangguo at the Great Hall of the People August 27.

¶3. (U) Wu welcomed Chairman Skelton and his delegation to Beijing, and noted that he had seen press reports of the delegation's visit to the Flying Tigers memorial in Yunnan. The "Flying Tigers period" is worth remembering, Chairman Wu said, because at that time U.S. and Chinese soldiers fought side by side, and the United States made huge sacrifices on China's behalf. Today, China and the United States need to increase mutual understanding and trust. Chairman Skelton expressed pleasure at returning to China after two years, and noted that the visit to the Flying Tigers memorial was moving, especially the experience of meeting Chinese veterans who had worked with the U.S. military during the war. The more the United States and China work together, the more the two sides' common interests become clear, and with that clarity comes the opportunity to build stronger relations.

¶4. (SBU) Representative Randy Forbes (R-VA) noted that he appreciated the opportunity to attend a church service in China and appreciated the flexibility of the Chinese government in permitting its people to worship. He hoped that the Chinese people would have the freedom and opportunity to worship as they wished. Chairman Wu declared "seeing is believing" and said that through their visit to China, the members of the delegation would get a "clear picture" of current conditions. The United States' relationship is China's most important, he emphasized, and the strategic content of that relationship is more and more robust.

## Favorable Assessment of Current Relations

---

15. (U) 2007 marks the 35th anniversary of the visit of President Nixon and the Shanghai Communique, Wu continued. Though the bilateral relationship has experienced "twists and turns and contradictions" in the ensuing decades, the current state of relations is "so remarkable it could not have been imagined 35 years ago." He highlighted U.S. and Chinese common interests, including bilateral trade and student exchanges, and said it is in the interest of both countries to continue down the path of growing relations.

16. (U) Chairman Wu said that interparliamentary exchanges are valuable tools for advancing the bilateral relationship, and noted that China views the House Armed Services Committee as one of the three most important committees in the U.S. Congress. "We can cover areas where we agree and areas where we disagree and thus increase understanding," he said. The two countries need to take a strategic view, Chairman Wu said, and understand that common U.S. and Chinese interests are growing in number. He noted the upcoming meeting between President Bush and President Hu Jintao (at APEC), and said he is looking forward to his own visit to the United States in late October/early November.

## Military Expenditures, Exchanges and Transparency

---

17. (SBU) Chairman Skelton said it had been an honor and a privilege to be the first CODEL to visit the Second Artillery headquarters (septel). Military-to-military visits are "hugely important" because there is no better way to improve transparency than to have military officers become friends

BEIJING 00005655 002 OF 002

and build understanding. He thanked Chairman Wu for working with the United States on mil-mil exchange. He highlighted the House Armed Services Committee's bipartisan nature, and said it reflects the fact that the U.S. military is nonpartisan.

18. (SBU) China "vigorously promotes" mil-mil exchanges, Chairman Wu said, and transparency will increase with more exchanges. The Chinese military budget has increased, he acknowledged, but in absolute terms it remains very low. China's military spending is ten percent of U.S. military spending, and on a per-capita basis, it is even lower. Increases in the military budget are no more than 17 percent, he said, while education expenditures are up 80 percent and health expenditures up 40 percent. Most of the increase in military spending goes for welfare of the troops; in addition, China has 22,000 kilometers of land borders to defend and over 18,000 kilometers of coastline. The money China spends on its army goes to raising military salaries and buying new uniforms. In addition, he continued, China is concerned about U.S. involvement in the Taiwan issue. China seeks peaceful options for reunification, but also requires a military deterrent to separatist forces. China needs improved military personnel policies and practices, and its budget will grow to accommodate those, but there is no need to exaggerate, he said. The United States has far more advanced equipment, such as next-generation naval vessels.

## Trade

---

19. (U) Representative Spratt (R-SC) noted that trade with China is a concern of the Congress, and said that trade should be an engine of positive development of relations. The lack of balance in the U.S.-China trade relationship is causing problems, and we need to restore some balance to the trade relationship, he said. Chairman Wu acknowledged China's large trade surplus with the United States, but highlighted efforts to address the issue, including high-level economic dialogue. The designation of Vice

Premier Wu Yi to meet with Treasury Secretary Paulson to discuss the problem is indicative of the seriousness with which China takes these issues, he said.

¶10. (SBU) The trade surplus problem is structural, Wu explained. U.S. trade deficits with Korea, Japan and Taiwan have all moved to China as those economies' industrial bases relocated to China. This is a natural side effect of globalization, and the United States and China need to work together to demonstrate how businesses and consumers benefit from the high trade volume. China is eager to import more and procure more from the United States, especially in the technology sector. U.S. efforts to relax restrictions on high-technology exports to China would go a long way to improve the trade picture. Wu cited telecommunications as an example. China's import market for high technology is worth USD 100 billion, Wu explained. However, the U.S. share of that is only six percent because of export restrictions. In telecommunications, the United States has only two percent of the market. European and Japanese firms are "grabbing" U.S. market share because of unreasonable U.S. government attempts to restrict a "natural effect of globalization."

¶11. (U) Restricting imports from China to the United States would not be an effective way to reduce the deficit, he continued. The United States and China have such complementary economies that restricting Chinese exports would only shift production and procurement to other producers in the region without affecting the overall U.S. current account deficit.

Wu's Message to the Delegation's Constituents

¶12. (U) Chairman Wu asked the delegation to pass a message along to their constituents: China and the United States fought side-by-side in the Second World War; almost a hundred thousand Chinese students study at U.S. universities; friendly contact between the two parliaments is evidence of good relations; and China values the practical benefits of relations (including trade relations) and believes they can only get better.

¶13. (U) The delegation cleared this cable.  
Randt